

EX PARTE OR LATE FILED

P.O. Box 5158  
Madison, WI 53705-0158

Telephone: 608-845-4000  
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301 S. Westfield Road  
Madison, WI 53717-1799

**TDS TELECOM**

*Government and Regulatory Affairs*

**FCC MAIL ROOM**

April 22, 1997

**APR 23 1997**

**FILED**

*Ex Parte*

William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, DC 20554

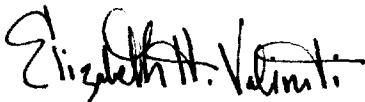
**Re: CC Docket 96-45, In the Matter of Federal-State Joint Board on Universal Service**

Dear Mr. Caton:

On April 22, 1997, the undersigned sent the enclosed written materials to Common Carrier Bureau Chief Regina Keeney, Universal Service Branch Chief Jeanine Poltronieri, and Thomas Boasberg, legal advisor to Chairman Reed Hundt. Additionally, Paul Gallant and Timothy Peterson of the Common Carrier Bureau were copied on these materials.

Enclosed herewith are the documents provided to the FCC officials mentioned above. I have enclosed two copies of this notice and attachments in accordance with Commission rules. Please date stamp and return the provided copy in the enclosed self-addressed stamped envelope.

Respectfully submitted,



Elizabeth H. Valinoti  
Manager  
Federal Regulatory Affairs

Attachments

cc: Regina Keeney  
Jeanine Poltronieri  
Thomas Boasberg  
Paul Gallant  
Timothy Peterson

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April 22, 1997

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Regina Keeney  
Chief  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, NW  
Room 500  
Washington, DC 20554

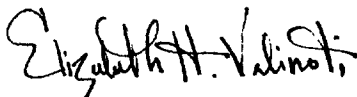
Dear Ms. Keeney:

Enclosed please find a summary of TDS Telecom's universal service positions, along with spreadsheets detailing the potentially disastrous impacts of the Joint Board's November 1996 Recommendation on TDS Telecom's local companies. I have also included a list of assumptions used in developing the enclosed spreadsheets. Finally, I have included an overview of our 105 local companies which operate in 28 states.

As you are aware, the Recommendation -- if adopted by the FCC -- would freeze rural LECs' per-line high-cost support for residential and single-line business customers at current investment levels, and eliminate support altogether for other lines, thereby curtailing rural infrastructure development. As you will see in the enclosed spreadsheets, the Recommendation could reduce our rural local companies' high-cost support by as much as \$32.28 per line, per month.

Our analysis suggests that the Joint Board's Recommendation, as applied to rural LECs, would not provide the sufficient high-cost support required by the '96 Act. TDS Telecom, therefore, strongly supports the LEC Associations' Transition Plan for rural LECs as the correct method of ensuring sufficient high-cost support in rural areas. Please feel free to contact me at 608-845-4159 should you have any questions about the enclosed materials.

Sincerely,



Elizabeth H. Valinoti  
Manager  
Federal Regulatory Affairs

Enclosures

cc: Timothy Peterson  
Paul Gallant

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**Government and Regulatory Affairs**

April 22, 1997

Jeanine Poltronieri  
Chief  
Federal Communications Commission  
Common Carrier Bureau  
Accounting & Audits Division  
Universal Service Branch  
2100 M Street, NW  
Room 8924  
Washington, DC 20554

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APR 23 1997

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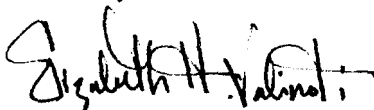
Dear Ms. Poltronieri:

Enclosed please find a summary of TDS Telecom's universal service positions, along with spreadsheets detailing the potentially disastrous impacts of the Joint Board's November 1996 Recommendation on TDS Telecom's local companies. I have also included a list of assumptions used in developing the enclosed spreadsheets. Finally, I have included an overview of our 105 local companies which operate in 28 states.

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April 22, 1997

Thomas Boasberg  
Office of the Honorable Reed Hundt  
Federal Communications Commission  
1919 M Street, NW  
Room 814  
Washington, DC 20554

Dear Mr. Boasberg:

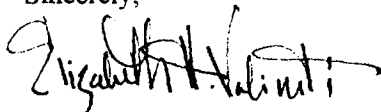
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As you are aware, the Recommendation -- if adopted by the FCC -- would freeze rural LECs' per-line high-cost support for residential and single-line business customers at current investment levels; and eliminate support altogether for other lines, thereby curtailing rural infrastructure development. As you will see in the enclosed spreadsheets, the Recommendation could reduce our rural local companies' high-cost support by as much as \$32.28 per line, per month.

Our analysis suggests that the Joint Board's Recommendation, as applied to rural LECs, would not provide the sufficient high-cost support required by the '96 Act. TDS Telecom, therefore, strongly supports the LEC Associations' Transition Plan for rural LECs as the correct method of ensuring sufficient high-cost support in rural areas. We urge Chairman Hundt to adopt the Transition Plan as an integral part of the May 6<sup>th</sup> Universal Service Order.

Please feel free to contact me at 608-845-4159 should you have any questions about the enclosed materials.

Sincerely,



Elizabeth H. Valinoti  
Manager  
Federal Regulatory Affairs

Enclosures

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## **TDS TELECOM Support for LEC Industry Universal Service Transition Plan**

### **1. Adopt the NRTA/NTCA/OPASTCO/USTA Transition Plan**

Endorsed by the state joint board members

Avoids frozen support dilemma: **either** local rate hikes or an unintended freeze on rural upgrades

Actual cost measurement allows FCC to determine whether federal support will be "specific," "predictable" and "**sufficient**" to meet statutory universal service standards

Leaves room for moderate growth in federal support

### **2. Recover Long Term Support and DEM Weighting Support Explicitly and Even-Handedly Via the New USF**

### **3. Base Interstate Carrier Contributions to "Sufficient" Federal Fund Solely on Interstate Revenues to Avoid State Jurisdictional Challenges**

### **4. Use Interstate Retail Revenues to Apportion Federal Fund Contributions - Panzar and Wildman Paper:**

Levying on retail revenues is economically efficient and competitively neutral

Levying on total revenues less payments to carriers is inefficient and disadvantages incumbents because they cannot freely pass through their contribution in their carrier charges

### **5. Federal USF Funding Must Remain "Sufficient" After Access and Separations Reform**

### **6. Establish a Rural Task Force to Evaluate Long Term Rural Universal Service, Access and Separations Issues**

# TDS Telecom Universal Service Support Projection

## Based on Joint Board Recommendation

<b>Total TDS Telecom Access Lines:</b>	482,025	
<b>Total Industry Revenues:</b>	\$164,178,534,000	
<b>Total Industry Interstate Retail Revenues:</b>	\$63,656,000,000	
<b>Total Industry Interstate Revenues:</b>	\$68,676,515,000	
<b>School and Library Fund:</b>	\$2,250,000,000	<b>Contribution %:</b> 1.37%
<b>Scenario 1: Intrastate and Interstate</b>	\$12,250,000,000	<b>Contribution %:</b> 7.46%
<b>Scenario 2: Intrastate and Interstate</b>	\$7,750,000,000	<b>Contribution %:</b> 4.72%
<b>Scenario 3: Interstate Fund</b>	\$7,750,000,000	<b>Contribution %:</b> 11.25%
<b>Scenario 4: Interstate Retail Fund</b>	\$7,750,000,000	<b>Contribution %:</b> 12.17%
<b>Scenario 5: Interstate Fund</b>	\$3,000,000,000	<b>Contribution %:</b> 4.36%
<b>Scenario 6: Interstate Retail Fund</b>	\$3,000,000,000	<b>Contribution %:</b> 4.71%

<b>1997 USF Projected Payments:</b>	\$23,378,669	<b>Interstate Revenues</b>	\$129,744,759
<b>Interstate DEM Weighting:</b>	\$14,528,056	<b>Intrastate Revenues</b>	\$227,566,900
<b>LTS:</b>	\$17,179,172	<b>Total Revenues</b>	\$357,311,659
<b>Total Listed Support:</b>	\$55,085,897		
<b>Support Per Access Line Per Month:</b>	\$9.52	<b>Interstate Retail Revenues</b>	\$20,555,092

**JB Recommendation, if adopted, would exclude an estimated 20% of TDS Telecom access lines**

Loss from excluded access lines: \$11,017,179

<b>Net Universal Service Support:</b>	\$44,068,718	<b>Per access line per month:</b>	\$7.62
<b>School and Library Contribution:</b>	\$4,896,811	<b>Per access line per month:</b>	\$0.85
<b>Scenario 1 Contribution:</b>	\$26,655,450	<b>Per access line per month:</b>	\$4.61
<b>Net Universal Service Support:</b>	\$12,516,457	<b>Per access line per month:</b>	\$2.16
<b>Total Change in Support:</b>	(\$42,569,440)	<b>Per access line per month:</b>	(\$7.36)
<b>Scenario 2 Contribution:</b>	\$16,866,793	<b>Per access line per month:</b>	\$2.92
<b>Net Universal Service Support:</b>	\$22,305,114	<b>Per access line per month:</b>	\$3.86
<b>Total Change in Support:</b>	(\$32,780,783)	<b>Per access line per month:</b>	(\$5.67)
<b>Scenario 3 Contribution:</b>	\$14,596,285	<b>Per access line per month:</b>	\$2.52
<b>Net Universal Service Support:</b>	\$24,575,621	<b>Per access line per month:</b>	\$4.25
<b>Total Change in Support:</b>	(\$30,510,276)	<b>Per access line per month:</b>	(\$5.27)
<b>Scenario 4 Contribution:</b>	\$2,501,555	<b>Per access line per month:</b>	\$0.43
<b>Net Universal Service Support:</b>	\$36,670,352	<b>Per access line per month:</b>	\$6.34
<b>Total Change in Support:</b>	(\$18,415,545)	<b>Per access line per month:</b>	(\$3.18)
<b>Scenario 5 Contribution:</b>	\$5,656,871	<b>Per access line per month:</b>	\$0.98
<b>Net Universal Service Support:</b>	\$33,515,035	<b>Per access line per month:</b>	\$5.79
<b>Total Change in Support:</b>	(\$21,570,862)	<b>Per access line per month:</b>	(\$3.73)
<b>Scenario 6 Contribution:</b>	\$968,145	<b>Per access line per month:</b>	\$0.17
<b>Net Universal Service Support:</b>	\$38,203,762	<b>Per access line per month:</b>	\$6.60
<b>Total Change in Support:</b>	(\$16,882,135)	<b>Per access line per month:</b>	(\$2.92)
<b>Monthly rate increase if contribution recovered over only excluded access lines:</b>			\$14.59

# TDS Telecom Universal Service Support Projection

## Based on Joint Board Recommendation

<b>Total Industry Revenues:</b>	<b>\$164,178,534,000</b>	
<b>Total Industry Interstate Retail Revenues:</b>	<b>\$63,656,000,000</b>	
<b>Total Industry Interstate Revenues:</b>	<b>\$68,676,515,000</b>	
<b>School and Library Fund:</b>	<b>\$2,250,000,000</b>	<b>Contribution %: 1.37%</b>
<b>Scenario 1: Intrastate and Interstate</b>	<b>\$12,250,000,000</b>	<b>Contribution %: 7.46%</b>
<b>Scenario 2: Intrastate and Interstate</b>	<b>\$7,750,000,000</b>	<b>Contribution %: 4.72%</b>
<b>Scenario 3: Interstate Fund</b>	<b>\$7,750,000,000</b>	<b>Contribution %: 11.25%</b>
<b>Scenario 4: Interstate Retail Fund</b>	<b>\$7,750,000,000</b>	<b>Contribution %: 12.17%</b>
<b>Scenario 5: Interstate Fund</b>	<b>\$3,000,000,000</b>	<b>Contribution %: 4.36%</b>
<b>Scenario 6: Interstate Retail Fund</b>	<b>\$3,000,000,000</b>	<b>Contribution %: 4.71%</b>

**Local Company: HORNITOS TELEPHONE COMPANY**

**State: CA      Access Lines: 583**

<b>1997 USF Projected Payments:</b>	<b>\$319,857</b>	<b>Interstate Revenues</b>	<b>\$650,658</b>
<b>Interstate DEM Weighting:</b>	<b>\$48,003</b>	<b>Intrastate Revenues</b>	<b>\$850,956</b>
<b>LTS:</b>	<b>\$98,318</b>	<b>Total Revenues</b>	<b>\$1,501,614</b>
<b>Total Listed Support:</b>	<b>\$466,178</b>	<b>Interstate Retail Revenues</b>	<b>\$21,142</b>
<b>Support Per Access Line Per Month:</b>	<b>\$66.63</b>		

**JB Recommendation, if adopted, would exclude an estimated 20% of TDS Telecom access lines**

<b>Loss from excluded access lines:</b>	<b>\$93,236</b>		
<b>Net Universal Service Support:</b>	<b>\$372,942</b>	<b>Per access line per month:</b>	<b>\$53.31</b>
<b>School and Library Contribution:</b>	<b>\$20,579</b>	<b>Per access line per month:</b>	<b>\$2.94</b>
<b>Scenario 1 Contribution:</b>	<b>\$112,020</b>	<b>Per access line per month:</b>	<b>\$16.01</b>
<b>Net Universal Service Support:</b>	<b>\$240,343</b>	<b>Per access line per month:</b>	<b>\$34.35</b>
<b>Total Change in Support:</b>	<b>(\$225,835)</b>	<b>Per access line per month:</b>	<b>(\$32.28)</b>
<b>Scenario 2 Contribution:</b>	<b>\$70,883</b>	<b>Per access line per month:</b>	<b>\$10.13</b>
<b>Net Universal Service Support:</b>	<b>\$281,480</b>	<b>Per access line per month:</b>	<b>\$40.23</b>
<b>Total Change in Support :</b>	<b>(\$184,698)</b>	<b>Per access line per month:</b>	<b>(\$26.40)</b>
<b>Scenario 3 Contribution:</b>	<b>\$73,199</b>	<b>Per access line per month:</b>	<b>\$10.46</b>
<b>Net Universal Service Support:</b>	<b>\$279,164</b>	<b>Per access line per month:</b>	<b>\$39.90</b>
<b>Total Change in Support:</b>	<b>(\$187,014)</b>	<b>Per access line per month:</b>	<b>(\$26.73)</b>
<b>Scenario 4 Contribution:</b>	<b>\$2,573</b>	<b>Per access line per month:</b>	<b>\$0.37</b>
<b>Net Universal Service Support:</b>	<b>\$349,790</b>	<b>Per access line per month:</b>	<b>\$50.00</b>
<b>Total Change in Support:</b>	<b>(\$116,388)</b>	<b>Per access line per month:</b>	<b>(\$16.64)</b>
<b>Scenario 5 Contribution:</b>	<b>\$28,369</b>	<b>Per access line per month:</b>	<b>\$4.05</b>
<b>Net Universal Service Support:</b>	<b>\$323,995</b>	<b>Per access line per month:</b>	<b>\$46.31</b>
<b>Total Change in Support:</b>	<b>(\$142,183)</b>	<b>Per access line per month:</b>	<b>(\$20.32)</b>
<b>Scenario 6 Contribution:</b>	<b>\$996</b>	<b>Per access line per month:</b>	<b>\$0.14</b>
<b>Net Universal Service Support:</b>	<b>\$351,368</b>	<b>Per access line per month:</b>	<b>\$50.22</b>
<b>Total Change in Support:</b>	<b>(\$114,810)</b>	<b>Per access line per month:</b>	<b>(\$16.41)</b>
<b>Monthly rate increase if contribution recovered over only excluded access lines:</b>			<b>\$82.05</b>

# USF Analysis

## Assumptions Made in Developing the Spreadsheet

### High Cost Fund Size:

- \$3 Billion Interstate Only Fund
- \$12.25 Billion Intrastate and Interstate Fund
- \$7.75 Billion Intrastate and Interstate Fund

### Schools, Libraries:

- \$2.25 Billion (Interstate & Intrastate) - Joint Board Recommendation

### Industry Revenues:

- 1995 Total Industry Revenues (net of payments to other carriers) = \$164,178,534,000
- 1995 Total Industry Interstate Revenues (net of payments to other carriers) = \$68,676,515,000
- Source for revenues: NARUC Staff Subcommittee on Communications Report December 8, 1996, "The Revenue Base for Federal Universal Service Support" and Carol Weinhaus, "Telecommunications Industries Analysis Project," December 1996.
- Total Industry Interstate Retail Revenues = \$63,656,000,000 (Source: USTA - 1996 TRS Report)

### Carrier Revenues Assessed:

- For Intrastate and Interstate Fund, assess Total Company Revenues
- For Interstate Only Fund, assess Total Interstate Retail Revenues or Total Interstate Revenues of the Company, depending on the scenario
- For our analysis, we are using year-end 1996 company revenues.

### Contribution Percentage:

- For Intrastate and Interstate Fund, contribution percentage =  $\text{Projected size of fund} \div \text{Total Industry Revenues (net of payments to other carriers)}$
- For Interstate *Retail* Only Fund, contribution percentage =  $\text{Projected size of fund} \div \text{Total Interstate Retail Revenues (net of payments to other carriers)}$ .
- For Interstate Only Fund, contribution percentage =  $\text{Projected size of fund} \div \text{Total Interstate Revenues (net of payments to other carriers)}$ .

### TDS TELECOM Current Support Revenues:

- 1997 Projected USF payments based on 1995 cost studies
- Interstate Weighted DEM based on 1995 costs studies
- Imputed LTS - based on 1996 NECA filing
- Per Access Line Per Month amounts were calculated by taking the support revenues  $\div$  1996 year-end access lines  $\div$  12 months.

### Excluded Lines:

- TDS TELECOM determined the number of lines currently receiving support.
- Next determined number of lines that would receive support under the Joint Board's recommended definition of universal service.
- Percentage loss calculated by taking:  $(\text{current lines} - \text{JB included lines}) \div \text{current lines}$ , resulting in an approximate loss in the number of qualifying lines of 20%.

### TDS TELECOM Payments into New Fund:

- Determined by multiplying the contribution percentage for each scenario times the appropriate revenues, added to the schools and library fund contribution.
- If interstate retail only fund, take the contribution percentage for an interstate retail only fund \* company interstate retail revenues.
- If interstate only fund, take the contribution percentage for an interstate only fund \* company interstate revenues.
- If intrastate and interstate fund, take the contribution percentage for an intrastate and interstate fund \* total company revenues.



## **TDS TELECOM**

*Government and Regulatory Affairs*

### **TDS TELECOM OVERVIEW**

As of April 16, 1997

- ✓ Serving approximately 480,000 access lines in 28 states
- ✓ Operating 105 local exchange companies
- ✓ Average number of access lines per company = 4,590
- ✓ Largest company serves 53,304 access lines (Tennessee Telephone); Smallest company serves 457 access lines (Danube Telephone)
- ✓ Average number of access lines per square mile = 11.29  
Average RBOC access lines per square mile = 330
- ✓ Company with the greatest density is Concord Telephone with 360.4 lines per square mile. Company with least density is Arizona Telephone with .54 access lines per square mile.
- ✓ 100% of access lines are digital
- ✓ 69 companies settle with NECA on cost basis and 36 on an average schedule basis